ICC LOGISTICS SERVICES, INC.
LOGISTICS STRATEGIES

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KNOW THE CONTRACT TERMS

In today's world of transportation contracts and pricing agreements all freight carriers including parcel, trucking, international ocean and domestic air carriers have varying provisions regarding the length of the contract term, rates, charges, liability and penalties. It is incumbent on the shipper to have a thorough knowledge of these contract terms preferably BEFORE they sign on the dotted line. Here are some examples you should be aware of:

· Most parcel carriers will issue contract agreements for a two or three year period. During the term of the agreement the parcel carrier agrees to maintain the provisions as it relates to discounts and incentives. However, the parcel carriers are free to increase the base rates each year as part of their general rate increases. What most shippers do not know is that while the contract agreement is for a 104 or 156 week period, the contract can be voided in 30 days by either party giving written notice to the other party. This provision is critical for a shipper to know since their volume might increase during the contract term and the incentive revenue bands may no longer provide the pricing incentives the shipper deserves based on its shipping characteristics. By the same token, if their volume decreases it will also want to "Re-Negotiate" the agreement to lower the tiered incentive levels. The important issue here is knowing you have an option.

· Most motor carrier pricing agreements will base their rates on the carriers "list" rate and then discounts are deducted to reduce the net rate. Shippers should be aware that rates vary greatly from carrier to carrier. Therefore, no two carriers can be measured from a pricing standpoint based on the discount they have published. Most shippers do not know they can have all of their LTL carriers publish a standard base rate and then have them discount from that base rate. This would allow a shipper to clearly discern which carrier has the lowest net rate based on the discount percentage published. To give an example of this, we recently completed a negotiation for a shipper that had a 79% discount with its primary LTL carrier. We negotiated a new contract for our client using a different base rate scale and the same carrier has now offered a 55% discount. The net result is that the new rates are 43% lower than the carrier's prior net rates. Before signing what looks like a good deal make sure the net rates are appropriate and do not be fooled by the discount game.

· Most ocean contracts provide pricing based on the number of TEU's (Transportation Equivalent Units) the shipper agrees to tender to the steamship company. What most shippers do not know is that if the shipper does not fulfill that commitment it can be charged a "penalty" fee for each unit it is short within the contract period. This is important because many shippers will embellish the number of containers it actually ships to obtain a lower rate form the carrier but, as you can see, this can come back to bite the shipper, you know where, if it does not meet its commitment.

· Most domestic air freight forwarders have provisions which drastically reduce their limits of liability in cases of loss or damage. In most cases these domestic air forwarders will limit their liability to $0.50 per pound if the freight is lost or damaged in transit. The sad fact is that most shippers do not know this until there is a claim and they find out they are left holding the bag. These liability provisions, by the way, are usually clearly spelled out on the back of the forwarder's air waybill which the shipper fills out, but very rarely reads. It is also important to point out that by signing the air waybill the shipper is agreeing to ALL the contract terms and conditions.

The list of these contract and pricing agreement terms and conditions goes on and on. The clear message here is "Caveat Emptor" ... Let the buyer beware!

SUPPLY CHAIN EXECUTIVES OFFER THEIR THOUGHTS ON THE ECONOMIC RECOVERY

According to a recent survey conducted by the Supply Chain Leadership Forum, a majority of Supply Chain Executives are of the opinion that the economy will "officially turn around" in either the second quarter of 2010 or the fourth quarter of 2009. Approximately 41 percent of respondents voted for second quarter 2010 recovery while 30% opted for the last quarter of 2009. Bruce Tompkins, Executive Director of the Supply Chain Consortium stated the recovery depends on the industry in question. For example, he stated that the food and beverage industry is already seeing signs of a recovery while the high tech and retail sector will have to wait for a while to see any signs of improvement. If you listen to the "official" word out of Washington, the Federal Reserve Chairman has already declared an end of the recession. The reality is most everyone agrees the end of the recession is in sight. So what did we learn from this recession?

The savviest companies used this economic downturn to position their companies ahead of their competition. "The smartest companies shifted to recovery mode before their rivals by developing and implementing a strategic plan that anticipates the end of the recession and positions them for future growth," Tompkins says. "But even companies that were not significantly impacted by the downturn are pursuing aggressive supply chain improvements to strengthen their competitive positions." The companies that were and probably still are in a holding pattern will fall farther behind their competition as we come out of this recession. The paralysis that has plagued many companies during this economic crisis must come to an end. Let's hope it's not too late for those companies to compete as we move onto firmer economic ground. 2009 has been pegged as the year of survival. What has your company done to jump ahead of the competition! We would like to know.

On another note, The Business Optimism Index, Grant Thornton's quarterly confidence measure of U.S. business leaders increased again to 60.9 in August, 2009 compared to 54.5 in May. 58% of these respondents believe the recession will be over by the first half of 2010. The Business Optimization Index takes into account three measures.

1. The U.S. Economy: Business leaders' perceptions of whether the U.S. economy will improve, remain the same or deteriorate in the next six months.

2. Business Growth: Business leaders' perception about the growth of their own business over the next six months.

3. Hiring Expectations: Whether business leaders expect the number of people their companies employ to increase, remain the same or decrease in the next six months.

TAKING ADVANTAGE OF THE CURRENT ECONOMIC ENVIRONMENT

The Westchester Business League will hold a seminar and panel discussions on Tuesday, October 27, 2009 at Pace University in Westchester County, New York from 8:00 AM to 11:30 AM. There will be time to network and time to learn what your company can do to take advantage of the current economic environment to benefit your business.

Tony Nuzio, President of ICC Logistics Services, Inc. will be a presenter during the conference and will speak on the subject of "Improving your Supply Chain's Bottom Line". For more information, please contact Pat Kober at 516-822-1183, ext. 314, or you can register on line at the Westchester Business League's website at www.westchesterbl.org. We look forward to seeing you there.

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